


The Importance of Driver Selection
and Fleet Maintenance




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State of
Commercial Auto
Insurance

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COMMERCIAL AUTO INSURANCE LOSS RATIOS & RATES ON THE RISE

- Insurance Carrier Loss Ratios on the Rise Across the Board
 - Through Q2 2017 U.S. property and casualty insurance industry recorded a net underwriting loss for the second consecutive mid-year period with an **underwriting loss of \$3.2 billion***
 - Driven by higher catastrophic losses and continued under performance of auto liability
 - Commercial Auto Liability rates increased for the 24th consecutive quarter (through ending of Q2 2017) with a 6.2% increase Q2 2017*
- Driving Factors in Commercial Auto Performance
 - Catastrophic Losses Affecting Physical Damage Performance
 - Inflation of Medical Costs Impacting Awards in Two Ways
 - Escalation of Trial Awards

* According to National Association of Insurance Commissioners U.S. Property and Casualty Insurance Industry / 2017 First Half Results
https://www.naii.org/documents/naic_insurance_industry_statistics_2017_industry_analysis_report.pdf

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FACTORS AFFECTING YOUR AUTO RATES

Underwriting Considerations in Auto Rate Making

- Loss History
 - Frequency of Incidents
 - Severity of Incidents
- Fleet Characteristics
 - Vehicle GVW
 - Vehicle Age
 - Vehicle Radius
 - Vehicle Classification
- Fleet Safety Practices
 - Fleet Safety Program
 - GPS/Driver Monitoring Devices
 - Active and Passive Video Recording Device
- Driver Characteristics
 - MVR
 - Age
 - Vehicle Usage
- Fleet Maintenance and Management
 - DOT Inspection Results
 - CAB/Safer Reports
 - Vehicle Maintenance Practices
 - Vehicle Pre and Post Trip Inspections

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SAMPLE CAB REPORT

Out of Service Violations / Accidents

The following inspection and accident information from SAFER is based on results for 24 months prior to 2/25/18

Overall	Vehicle	Driver	Hazmat																														
Total Inspections: 30	Total Inspections: 22	Total Inspections: 30	Total Inspections: 0																														
(Please note that the above number is not necessarily the total of the vehicle, driver and hazard inspections, as one inspector may have included any combination of the above inspections) Total Out of Service: 10 Out of Service %: 33.33% National Average %: 18.24% Difference In %: 15.09%	Violations: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><th>Brakes</th><th>Lights</th><th>Wheels</th><th>Steering</th></tr> <tr><td>10</td><td>12</td><td>16</td><td>1</td></tr> </table> Total Out of Service: 10 Out of Service %: 45.45% National Average %: 20.72% Difference In %: 24.73%	Brakes	Lights	Wheels	Steering	10	12	16	1	Violations: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><th>Log</th><th>Hours</th><th>Drug/Alc</th><th>License</th><th>Med Care</th><th>Traffic</th></tr> <tr><td>4</td><td>5</td><td>0</td><td>0</td><td>0</td><td>2</td></tr> </table> Total Out of Service: 2 Out of Service %: 6.67% National Average %: 5.51% Difference In %: 1.16%	Log	Hours	Drug/Alc	License	Med Care	Traffic	4	5	0	0	0	2	Violations: <table border="1" style="width: 100%; border-collapse: collapse;"> <tr><th>Paper</th><th>Placard</th><th>Truck</th><th>Emergency Res</th><th>Out</th></tr> <tr><td>0</td><td>0</td><td>0</td><td>0</td><td>0</td></tr> </table> Total Out of Service: 0 Out of Service %: 0.00% National Average %: 4.59% Difference In %: -4.5%	Paper	Placard	Truck	Emergency Res	Out	0	0	0	0	0
Brakes	Lights	Wheels	Steering																														
10	12	16	1																														
Log	Hours	Drug/Alc	License	Med Care	Traffic																												
4	5	0	0	0	2																												
Paper	Placard	Truck	Emergency Res	Out																													
0	0	0	0	0																													

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SAMPLE DRIVER SELECTION CRITERIA

Drivers Age 25 and Older

Number of Moving Violations*	Number of At-Fault Accidents**			
0	CLEAR	ACCEPTABLE	EXCLUDE	EXCLUDE
1	ACCEPTABLE	ACCEPTABLE	EXCLUDE	EXCLUDE
2	ACCEPTABLE	EXCLUDE	EXCLUDE	EXCLUDE
3 or more	EXCLUDE	EXCLUDE	EXCLUDE	EXCLUDE
Any Major Violation (Five year timeframe)	EXCLUDE	EXCLUDE	EXCLUDE	EXCLUDE

Drivers Under Age 25

Number of Moving Violations*	Number of At-Fault Accidents**			
0	CLEAR	ACCEPTABLE	EXCLUDE	EXCLUDE
1	ACCEPTABLE	WATCH	EXCLUDE	EXCLUDE
2	EXCLUDE	EXCLUDE	EXCLUDE	EXCLUDE
3 or more	EXCLUDE	EXCLUDE	EXCLUDE	EXCLUDE
Any Major Violation (Five year timeframe)	EXCLUDE	EXCLUDE	EXCLUDE	EXCLUDE

Major Violations Include:

- Driving With Suspended License
- Speed in a School Zone
- Speed in Excess of 20 mph Over the Limit
- Racing
- Passing a Stopped School Bus
- DUI – Alcohol or Drugs
- Negligent Driving
- Vehicular Homicide
- Involuntary Manslaughter
- Eluding an Officer
- Assault with a Motor Vehicle


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What Can We Do
&
Why Would We?


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CREATING A DRIVER SELECTION PROGRAM

- Create a Set of Criteria Every Employee Authorized to Drive Company Vehicles Must Meet
 - Minimum Age
 - Carriers want drivers over the age of 25 for a reason
 - If you need drivers under 25 and over 21 should be your cut off and you need to have more stringent requirements on their driving history and their use of vehicles
 - Driver Motor Vehicle Record Criteria
 - Set a maximum number of minor violations and at-fault accidents allowable in the past 36 months
 - Set a maximum number of major violations allowable in the last 60 months
 - Request a copy of an MVR with the potential employees application to determine whether the employee meets your and your insurance carrier's criteria
 - Review MVRs annually through your insurance agent or through an MVR vendor
 - Ask drivers to be honest with you about driving infractions that occur outside of work
 - Additional Driver Criteria
 - Company may elect to create additional driver criteria
 - Any additional criteria should be documented in written program

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CREATING A DRIVER SELECTION PROGRAM

- WHY?
 - Negligent Entrustment
 - Legal principle in which one party can be held responsible for the results of the actions of another due to the fact that the first allowed the use of property to the second party and either knows or has reasons to know that the second party presents a higher risk to the property themselves or the general public
 - Allowing an employee to drive a company vehicle when that employee has a history that suggests he or she may put themselves or the public at a greater risk may result in higher degree of negligence being assigned to the employer
 - Shows a Willingness to Manage Risk Internally
 - Improves risk appetite score with carriers
 - Reduces frequency and severity of claims experience
 - Lowers auto rates
 - The Carrier Will Anyway
 - Carriers will exclude coverage for drivers that do not meet their criteria

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CREATING A VEHICLE MAINTENANCE PROGRAM

- Develop a Written Schedule for Regular Vehicle Maintenance and for Regular Vehicle Inspections
 - Regular Maintenance
 - Develop Written Schedule for Regular Vehicle Maintenance
 - Oil Changes, Tire Replacement, Wiper Blade Replacement, Brake Replacement
 - Keep records of maintenance performed
 - Perform Regular Vehicle Inspections
 - Develop a Written Program for Regular Vehicle Inspection
 - Examples include Pre-Trip, Post Trip or End of Work Week
 - Determine Who is Responsible for Inspections
 - Driver or Maintenance Staff
 - Develop a Written Checklist of Vehicle Operation Equipment to Be Checked
 - Should include tires, lights, signals, windshield, mirrors, safety restraints, steering response and brake response

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CREATING A VEHICLE MAINTENANCE PROGRAM




- WHY?
 - Source of Additional Liability and Negligence
 - One of the first steps in a plaintiffs attorney's investigation is to look up the company on Safer.org or pull a cab report
 - Vehicle Out of Service incidents can limit the defense's ability to negotiate lower settlements
 - The Written Records Can be a Strong Defense
 - Written vehicle maintenance records can be used in defense
 - Saves You Money!
 - Lowers frequency of Out of Service Citations
 - Reduces Frequency of Large Scale Repairs
 - Lowers auto rates
 - You Are Doing the Maintenance Work Anyway
 - Keeping Records of the work only proves that you did the work when you need proof

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